

What Hospitals Need to Know About the House Democrats' Health "Reform" Bill

Independent Analysis Finds Government-Run Health Plan Leads to Drastic Reimbursement Cuts

House Democrats have proposed creating a government-run health plan to "compete" against those in the private market. A June 2009 study by the Lewin Group, an independent research firm, predicts enrollment in the government-run plan would reach 123 million, including 114 million Americans who would be forced out of their current private health coverage.

Making matters worse, the Democrats' government-run plan would reimburse hospitals at Medicare rates. On average, Medicare hospital reimbursements are 32 percent below those paid by private plans and the Medicare Payment Advisory Commission (MedPAC) projects Medicare hospital reimbursements are 6.9 percent below what it costs hospitals to provide care. Given the vast erosion of private health coverage caused by a government-run plan, a greater share of hospital revenues would be based on Medicare's chronic under-payments.

- The Lewin Group analysis of the House Democrats' health reform bill predicts that:
 - **Hospital net-income would decline by \$31.3 billion per year.** This is a result of 114 million Americans being forced out of higher reimbursing private plans and into a government-run plan that underpays hospitals.
 - According to the analysis, this amounts to a **63% reduction in hospital net-income.**
 - This is a critical point – with a government-run plan, hospitals will not be able to offset their losses simply because more people walking through their doors will have insurance.
 - However, if House Democrats' scrapped their big-government-at-any-cost agenda and removed the government-run plan from their bill, hospital net-income would instead increase by \$22.2 billion, largely because of a reduction in uncompensated care.
- The House Democrats' bill would establish a new Medicare reimbursement "productivity adjustment." Call it what you want, this is a cut. The misguided theory behind this policy is that if you pay hospitals less, they will become more efficient. The American Hospital Association predicts this will amount to **\$150 billion in Medicare hospital cuts** over the next 10 years.
- The House Democrats' bill would also create a hospital's worst nightmare: **a powerful, unelected government health board that would tell hospitals how to treat patients.**
 - This board would have the power to decide which treatments patients could receive and at what cost. Additionally, Washington bureaucrats would have the authority to **require that all hospitals participate in the new government-run plan**, forcing them to accept the government-run plan's insufficient reimbursements.
 - The Secretary of HHS would have unfettered authority to "modernize" hospital payments (i.e. pay-for-performance) in the government-run plan **without any input from the hospital industry, subjecting hospitals up to even more cuts** as the government-run plan tries to stay within its budget targets.
- Lastly, the House Democrats' bill **does not address the need for medical liability reform**, which is essential to reduce costly, unnecessary defensive medicine practiced by health care providers trying to protect themselves from overzealous trial lawyers.